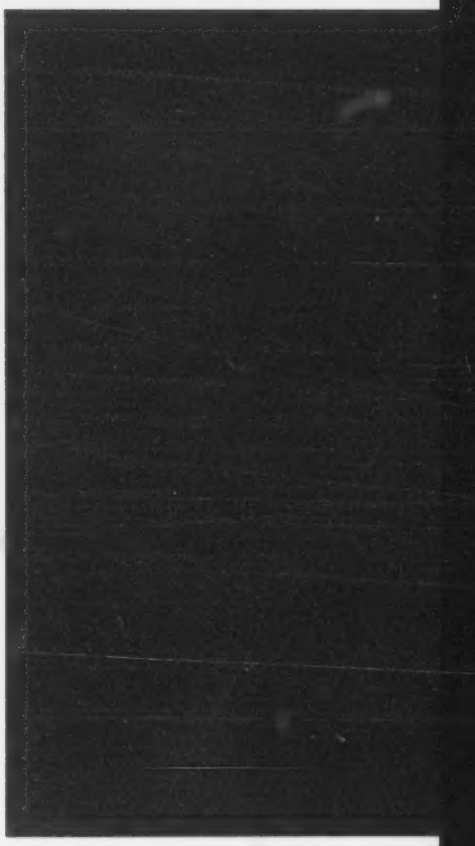
Budget
2011-2012

MARCH 2011

BUDGET SPEECH

LOOKING TO THE FUTURE!



Québec

A PLAN FOR QUÉBEC

BUDGET SPEECH

Delivered before the National Assembly
by Raymond Bachand,
Minister of Finance,
on March 17, 2011.

Finances Québec

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INTRODUCTION

Mr. President:

I have the honour of tabling today our government's budget for the 2011-2012 fiscal year. The budget translates into concrete actions the plan for Québec unveiled by the Premier in his inaugural address on February 23.

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ON THE PATH TO BALANCE

As we renew our commitments for the future of Québec, it is appropriate to look at our commitments from last year. At the time, we charted a strict course toward reducing the deficit each year in order to restore fiscal balance in 2013-2014, while preserving the integrity, quality and solidarity of our public services.

Needs will always exceed the available revenue necessary to meet them.

Last year's scenario forecast a deficit of $4.5 billion for fiscal 2010-2011.

> I am announcing that the deficit for fiscal 2010-2011 will be $4.2 billion, $300 million less than forecast.

Our government's tight management is paying off. At 1.3% of our GDP in 2010-2011, Québec's budget deficit compares favourably with that of our neighbours. Ontario's deficit forecast is 3.1% of its GDP and the federal government's, 2.8% of Canadian GDP.

Our performance in 2010-2011 stems from two groups of factors. On one hand, the solid performance of the Québec economy generated $1 billion more in government revenues than forecast. On the other, our spending exceeded our projections by some $700 million. That gap is essentially due to the expense resulting from the new actuarial valuations of public sector retirement plans, and the increase in our allowance for doubtful accounts.

A year ago, the government undertook to assume 62% of the total effort required to restore fiscal balance—a contribution of $6.9 billion over four years. The most recent data confirm that we will deliver on that commitment.

Indeed, for 2010-2011, the spending efforts achieved by the government and its public bodies, when combined with the measures to combat tax evasion, will total almost $1.4 billion. That is in line with our forecast from last year. Thus, Québec continues to rank among the governments doing the best job of controlling their spending.

In her expenditure budget, my colleague, the Chair of the Conseil du trésor, confirms that the government's spending reduction targets for the year drawing to a close have been met.

We are going to stay the course.

> I am announcing that we are forecasting today a deficit of $3.8 billion in 2011-2012 and $1.5 billion in 2012-2013, and that the Québec government's budget will be balanced as planned in 2013-2014.

I am more than ever convinced that this objective is a sound one. Our strategy is underpinned by the solid performance of our economy, which was not as hard hit by the recession as that of our neighbours. Rigorous management, our trademark, is more necessary than ever, given our debt level and population aging.

Budgetary discipline concerns everyone. Every public dollar is precious.

In the past year, my conviction has been reinforced by the budgetary and financial crises that have rocked countries like Greece, Ireland, Spain and Portugal. Unlike those countries, we are not cornered into making radical cuts in our public services.

On the contrary. For example, last year we brought in a structured, predictable financial framework for health spending that supports 5% annual growth. In so doing, we are ensuring the sustainability of our health-care system.

This year, other initiatives will support Québec's social and economic development. For that is in fact the true objective of a budget. Rigorous budgetary management is a means of ensuring that we have the necessary leeway to give ourselves the development tools we need. Wealth must be created, and the wealth must benefit everyone, including the most vulnerable.

***

Québec does not live in a vacuum. We are full participants in global economic and cultural life. If recent years have seen turmoil that still contributes to a climate of uncertainty, the basis trend is opening up wonderful opportunities for us—I would even say opportunities that are unprecedented in our history.

It is true that the United States and euro area countries were hard hit by the financial crisis and the recession, which rocked their economies and public finances. Their economic growth continues to be fragile.

For its part, the Québec economy has demonstrated exceptional resilience. The diversification of our economy, the tenacity of our workers and businesses, and swift intervention by the government contributed to mitigating the ravages of the recession. The Québec economy contracted by only 0.3% in 2009. And growth rebounded to 3.0% in 2010.

The slow employment recovery in the United States will continue to have an impact on our economic performance. We therefore anticipate more moderate economic growth, reaching 2.0%, in Québec in 2011—a growth rate comparable to the historical trend.

Conversely, the emerging economies, which now account for 40% of the global economy, bounced back rapidly and vigorously. These countries, primarily Brazil, Russia, India and China, were and will remain the engines of global growth.

These countries are experiencing an accelerated version of what we, the industrialized nations, went through in the 19th and 20th centuries: on one hand, they are building modern infrastructure, which requires vast natural and human resources; on the other, goods and services consumption is being democratized.

Change on that scale does not occur more than once in a century. It offers extraordinary opportunities for economies that have skills or natural resources at their disposal. In Québec, we have both. An educated, skilled and creative population. And natural resources with high value potential.

This favourable environment will not last forever. We owe it to Quebecers today and—yes!—to those of tomorrow, to act now and seize the opportunities to create wealth and squarely position Québec in the new economic order.

Despite the budgetary constraints imposed in the short term by the return to budgetary balance, this budget contains measures that will increase Quebecers' ability to seize, here and elsewhere, the opportunities offered to them by this new world.

On one hand, this budget contains measures conducive to optimizing the benefits to be derived from our abundant natural resources. On the other, and I would say even more importantly, it contains measures conducive to reinforcing, mobilizing and supporting the know-how of Quebecers.

PREPARING FOR THE FUTURE BY BUILDING ON OUR WEALTH

1. DEVELOPING OUR TERRITORY, TAKING ADVANTAGE OF OUR RESOURCES

Let's talk first about resources.

Québec relies on a vast territory of 1.7 million square kilometres with extensive natural resources: water in abundance, huge forests, a subsoil rich in minerals and hydrocarbons.

DEPLOYMENT OF THE NORTHERN PLAN

Although we define ourselves as a northern people, almost all of the population is concentrated in southern Québec, in the St. Lawrence Valley. More than half of Québec's territory, located north of the 49 parallel, is inhabited by only 120 000 people, 33 000 of whom belong to four Aboriginal nations.

A little over two years ago, the Premier invited all Quebecers to be part of a major project to develop northern Québec: the Northern Plan. The project was greeted with scepticism by those who do not properly understand why preparing such a plan is a complex task that takes time, particularly if one wishes, as we do, to implement the plan in consultation and harmony with, and respect for, the inhabitants of this immense territory.

The territory is rich. Rich in gold, copper, iron, nickel and diamond deposits, rare earths, and other minerals in high demand; rich in renewable hydro and wind power; rich in wild beauty and biodiversity, which constitute a major tourist attraction. Rich, primarily, in people and communities deeply attached to their land and way of life.

The Premier invites us to develop this vast territory. He invites us to do so in keeping with sustainable development principles, in consultation with the current occupants and the stakeholders concerned, for the benefit of all Quebecers.

I will not deprive my colleague, the Deputy Premier, Minister of Natural Resources and Wildlife and Minister responsible for the Northern Plan, of the pleasure she will soon have in revealing the details of the Northern Plan. However, its financial framework must be set up today.

Resource development will be controlled in order to preserve the beauty and potential of the territory for future generations; 50% of the Northern Plan territory, more than one third of Québec, will be withdrawn from industrial development.

The local communities, in particular the Aboriginal communities, will be closely involved in the deployment of the Northern Plan. Planning will take into account their current and future needs.

The Northern Plan will both facilitate and supervise private investments on the territory. First, by making the territory accessible, with the financial contribution of developers. Major land, marine and air transportation infrastructure projects will open up the territory to facilitate tourism development as well as mining or energy development. One such example is the extension of Route 167 north of Mistissini to the diamond deposits in the Otish Mountains, which will make a vast territory accessible to the development of mining and tourism. That work will begin this year.

The construction of new transportation infrastructure will benefit not only developers and tourists, but also the local populations, by markedly reducing the high cost of products and foodstuffs that must be brought in from the south.

The Northern Plan will also support socioeconomic initiatives, particularly in the areas of housing and training for the local populations.

❑ Creation of the Fonds du Plan Nord

These projects represent considerable investments. For the next five fiscal years, infrastructure investments and community measures in the amount of $1.6 billion are planned.

> To fund the vast northern Québec project, I am announcing the creation of the Fonds du Plan Nord.

The Fonds du Plan Nord will obtain most of its funding from a portion of the tax revenues from the development activities carried out in the territory covered by the Northern Plan.

❑ Increasing our share of northern development: equity interests in projects

The resources in our northern regions belong to all Quebecers. Developing them will generate substantial revenues for society in the form of taxes and mining royalties. But we are going further. Quebecers will benefit much more from the development of their resources if they invest directly in that development.

> I am announcing that, over the next five years, the Québec government is prepared to invest up to $500 million in equity interests in private projects promising a developmental effect in the territory covered by the Northern Plan.

Like the investments already made by the Société générale de financement, for example its interest in Stornoway Diamond Corporation, these investments will be made with an eye to profitability.

In this regard, the government will act with the support and assistance of Investissement Québec, which will intervene as mandatary.

This new measure will be included in an omnibus bill I will table soon. The bill will give effect to various measures in this budget.

OPTIMIZING THE RETURN ON OUR NATURAL RESOURCES

One of the objectives of the Northern Plan is for all Quebecers to benefit from the abundant of resources north of the 49th parallel. But what is true north of the 49th parallel is also true south of it. Wherever they may be located in our territory, natural resources are an integral part of the heritage of all Quebecers. It is crucial that we get the most we can out of their development. That is why, in the last budget and further to the Auditor General's recommendations, we revised the mining royalties system and substantially increased the contributions of mining companies.

The results of that reform, which would do well to be more widely known, are telling. In 2003, Québec was the jurisdiction that taxed mining company profits the least in Canada. Today, at the same level of profitability, the duties and taxes levied on the profits of mining companies operating in Québec exceed by 13% the average in the other Canadian provinces, and by 40% the duties and taxes levied in Alaska or Nevada, two states rich in mineral resources. Taking into account only mining royalties, Québec now demands contributions 28% higher than the Canadian average.

We estimate today that active mining companies in Québec will pay us over $1.4 billion in mining duties over a five-year period. Natural resource royalties are a powerful tool for funding public services.

❑ Responsible shale gas production and fair royalties

This year, our action is focused on shale gas. It is now reasonable to believe that Québec's subsoil holds substantial shale gas potential.

If that is indeed the case, and only if the resource can be developed responsibly, all Quebecers must be able to benefit from it.

As stated by the Premier in his inaugural address, "This development will be carried out correctly or not at all."

The report of the Bureau d'audiences publiques sur l'environnement (BAPE) released on March 8 recommends that gas companies be assisted in conducting environmental studies before embarking on the production phase.

My colleague, the Minister of Sustainable Development, Environment and Parks, announced last week the creation of a strategic environmental assessment committee charged with ensuring that development will be carried out according to best practices.

> I am announcing that a budget of $7 million will be allocated to conducting the strategic environmental assessment.

In addition, we must see to it that gas companies protect the environment right from the exploration stage.

> I am announcing an investment of $6 million over three years to step up the inspection of shale gas facilities and wells.

If the gas potential can be developed economically, and respectfully in regard to the environment and the public, Quebecers will benefit from their fair share of this resource.

Currently, the royalty rate paid by gas companies varies from 10% to 12.5% of a well's value.

> I am announcing that the strategic environmental assessment will be followed by the implementation of a completely revised royalty system for the shale gas industry.

To remain competitive, we drew on the best practices of other jurisdictions, such as British Columbia, in devising the new royalty system. Under the new system, the royalty rate will vary with the price of the resource and the productivity of the well, and could reach 35%. Taking into account the taxes on company profits, the share of revenue devolving to Québec society could exceed 50%.

Shale gas production infrastructure can cause certain inconveniences that must be mitigated.

I am announcing that compensation of $100 000 per well in production will be paid to the municipalities concerned over a period of 10 years.

Furthermore, to facilitate the conclusion of agreements between holders of an exploration licence and landowners, the government will put in place a legal and regulatory framework setting forth the standards to be met by such agreements in the future.

After mines and water last year, after shale gas this year, next year we will evaluate the regime governing the oil sector.

Our natural resources as a whole belong to all Quebecers, including the youngest and those not yet born. It is fair for all generations to derive benefit from the development of non-renewable resources.

I am announcing that, once fiscal balance has been restored, we will deposit each year 25% of all mining, oil and gas royalties above $200 million in the Generations Fund.

❑ Promoting the forest sector

Forests are an important resource for Québec and an important link in our regional economies.

To support the modernization of forest companies and help forest workers upgrade their knowledge, the government announced, in the 2005-2006 Budget, the forest sector support plan, which has since mobilized $2.2 billion. The following year, the government introduced the Silvicultural Investment Program, which develops or regenerates sites with strong timber potential.

I am announcing the renewal of the Silvicultural Investment Program for another year, and measures for seedling production.

Thus, additional investments of almost $45 million will be made in Québec's forests until the new forest regime comes into effect in 2013.

To ensure funding for silvicultural work, the royalty rate will be set at $6.15 per cubic metre of wood harvested on public lands. Regulatory amendments in that regard will be proposed soon by my colleague, the Deputy Premier and Minister of Natural Resources and Wildlife.

For several years, the government has been working to foster the development of new, high-value-added markets for Québec wood and increase the utilization of wood in building construction in Québec. In May 2008, the late Claude Béchard, then Minister of Natural Resources and Wildlife, launched the 2008-2014 wood use strategy for construction in Québec. The strategy was a success, because the use of wood in non-residential frames has risen from 15% to 20%.

That success must be capitalized on.

> I am announcing the creation of a working group mandated to propose strategies for increasing the use of wood in non-residential construction in Québec.

This committee will be composed of representatives from the government, academia and the construction industry, and will be chaired by Léopold Beaulieu, CEO of Fondaction, the CSN's development fund. It will submit a report to the Minister of Natural Resources and Wildlife by December.

2. INVESTING IN THE POTENTIAL OF QUEBECERS

MAKING QUÉBEC ONE OF THE MOST EDUCATED SOCIETIES IN THE WORLD

Without the know-how of Quebecers, our natural resources would not be of much value to us. Our true wealth lies in the heads of our youth, in their desire to learn and in our determination to give them an education commensurate with their immense potential.

Education is not subordinate to the economy. It is justified in and of itself by the human development it enables one and all to achieve. That being so, there is no doubt as to the connection between level of schooling, productivity and wealth creation. Improving education must be a constant concern of the government, from elementary school on to higher learning. In his inaugural address, the Premier made education a priority for Québec society.

❑ Giving our youth a better window on the world

The elementary school experience is decisive in determining whether our young people stay in school. The academic success of our children is not only a challenge for us as parents, but it is also a collective challenge of the utmost importance. This budget takes new action in that regard.

In 2009, the government introduced the action strategy on student retention and academic success. Its goal is to raise the graduation rate of the under-20 age group from 72% to 80% by 2020.

■ School 2.0: connected classrooms

Seeing the ease with which children handle technology in their games is all it takes to understand that classrooms must speak their language. We must provide them with cutting-edge tools that reflect their life habits and hold their interest.

> I am announcing new investments of $240 million to equip our schools with digital teaching tools.

Gradually, as of the start of the 2011 school year, and according to the priorities established by school boards, these amounts will serve to:

— put smartboards, multimedia projectors and laptop computers in classrooms;

— equip classrooms with educational resources, such as e-textbooks and educational reference and assistance software for learning;

— train teachers so that they take full advantage of the possibilities afforded by these tools.

■ Intensive English instruction

Young Quebecers are citizens of the global village. In every society open on the world, all the more so when international trade is crucial to its economic development, a functional knowledge of English, even a third language, is essential.

> I am announcing that, as of this year, we will invest amounts that will reach more than $25 million a year in 2016-2017, in order to gradually add 400 hours of intensive English instruction in Grade 6.

This measure means that students will spend half of Grade 6 in intensive English instruction.

■ A sports culture in secondary schools

In business, in the arts, in politics, in most areas of human activity, success is a team effort. That is why team sports develop qualities, like solidarity and respect for others, that are useful throughout life. Sports are a source of motivation that develop a sense of belonging at school.

> I am announcing that we will allocate $13 million over three years to a new program to support sports teams in Québec's public secondary schools.

■ Better funding for our sports infrastructure

We know that appropriate facilities are a determining factor in the practice of sports and physical health.

Created in the 2006-2007 Budget, the Sports and Physical Activity Development Fund grants subsidies under the sports and recreational facilities support program. Through the fund, a centre of excellence in freestyle skiing was built at Val Saint-Côme, in Lanaudière, where the best mogul skiers and ski jumpers can train in Québec, which was not possible before; Maskinongé residents of all ages have the use of an intergenerational multisport park; the college in Alma will have a lit soccer and football field with synthetic turf, where more boys and girls will be able to play longer. In less than five years, the government and its partners allocated almost $800 million to some 400 projects to build or upgrade soccer fields, sports centres and pools. This program has proved itself.

> I am announcing, for 2011-2012, the allocation of an additional $50 million to the Sports and Physical Activity Development Fund.

This amount will be financed through specific tax revenues from tobacco products. With the contribution of partners, this measure will make it possible to inject over $100 million more in the development of sports infrastructure.

❑ Giving our universities the means to achieve excellence

Engines of the knowledge economy and breeding grounds for skilled labour, Québec universities must have the financial resources necessary to be among the best in the world, both in terms of research and producing more graduates.

In the wake of last year's budget, we began a dialogue with the university community about the future of universities and their contribution to Québec's development. That led to a meeting on December 6 between the Québec government and its principal partners in the education sector to examine those questions and, in particular, university funding.

> I am announcing the implementation of a six-year structured, predictable financial framework for Québec universities.

The 2011-2017 Québec University Funding Plan tabled today will enable four objectives to be met:

— first, meet the funding needs of universities;

— second, fairly apportion each partner's contribution;

— third, ensure university remains accessible to low-income Québec students; and

— lastly, conclude partnership agreements with the universities to ensure the new resources are used properly.

Québec must do more and take its place among the world's most educated societies. As the Premier said in his inaugural address, "Our universities must shine . . . Our society's success hinges on the success of our universities."

■ Sharing in the effort to better fund our universities

This plan meets the funding needs of universities.

> I am announcing that Québec universities will have access annually to additional revenues that will reach $850 million in 2016-2017.

First, the budget will be increased by $320 million to maintain the real funding per student, that is, to take into account inflation and changes in the student population. In addition, $530 million will be added to fund the excellence of our universities.

With these additional amounts, universities will see their budget gradually increase by almost 25% over the next six years. They will be able to improve the quality of training, and student graduation; offer students better supervision; review the training they offer, with a view to being more competitive on the world stage; fund their research activities and put their finances in order.

More than half of the additional revenues for universities will come from the government, which will gradually increase its annual contribution by $430 million. Universities will have to increase their research and continuing education revenues. As for the rest, businesses and individuals will be encouraged to up their current contribution, and students will be asked to defray a fairer share of the costs of their university education, without adding to the debt load of bursary students who are beneficiaries of the student financial assistance program.

■ Stimulating the involvement of individuals and businesses

While businesses and individuals in Québec contribute to the funding of universities through donations and bequests, that contribution is lower than elsewhere in North America.

Conditions encouraging the private sector and Quebecers as a whole to invest more in our universities must be instituted.

> I am announcing the creation of Placements Universités, a government initiative that will further increase the reward for growth in private donations to universities.

The objective is to increase private donations to universities by 50%, which would bring them up to $165 million in 2016-2017.

Henceforward, the government will pay universities a matching grant of up to 100% of the increase in donations, according to university size and performance, and it will raise the global ceiling on its assistance to $40 million a year, when fully implemented.

With Placements Universités, the fund-raising campaigns held by universities will enable them to obtain a total of more than $200 million in 2016-2017.

■ Fair share of students

In the mid-1960s, students' tuition fees represented 26% of the total revenue of Québec universities. In 2008-2009, it was half that, namely, 13%. The explanation is simple: the tuition fees payable by Québec students rose more slowly than inflation. In fact, they were frozen for 33 of the last 43 years.

As a result, throughout that period, the government made up a sizeable amount of the shortfall, particularly as of 2003, when the government's financial contribution increased an average of 5.5% a year.

For the 2011-2012 school year, tuition fees for an undergraduate degree are $2 168.

Tuition fees will be raised gradually to the level they would have been at today had they been indexed at the rate of inflation since 1968, the year in which they were first frozen.

> I am announcing that, in fall 2012 and in each of the following four years, annual tuition fees will be raised by $325.

Once this gradual catch-up increase, which will total $1 625 in 2017, has been fully implemented, students will assume less than 17% of the cost of their studies, a proportion that is still much lower than 40 years ago, and much lower than the comparable ratio in the other Canadian provinces.

After this adjustment, in 2017, tuition fees in Québec will be $3 793 a year. That figure is more than 30% lower than the 2010 average in the rest of Canada.

To those who fear this adjustment will act as a deterrent on university participation, I have this to say: there is no evidence of a link between university participation and tuition fees. In fact, in 2008-2009, the Canadian province with the highest university participation rate of students 20-24 years old was precisely the one with the highest tuition fees—Nova Scotia.

■ Keeping education accessible

The catch-up increase is accompanied by compensatory measures for the least-well-off students. We are not adding to their debt load. To avoid doing so, we are maintaining the loan ceiling at its current level for students who receive a bursary under the student financial assistance program, despite the increase in tuition fees.

> I am therefore announcing that no students who receive a bursary under the student financial assistance program will see their debt load rise because of the increase in tuition fees.

The least-well-off students will be fully compensated by additional bursaries, receiving an amount equivalent to the increase in tuition fees.

We believe in the principle of the right to equal opportunity and in that of the responsibility of everyone to seek fulfilment.

> I am announcing that $118 million, more than one third of the increase in tuition fees, will ultimately be returned to students, essentially in the form of bursaries.

Moreover, students' parents and spouses will see a reduction in their contribution requirement under the loans and bursaries programs. This assistance addresses a longstanding request from students.

In addition, all university students may continue to claim the Québec tax credit for tuition fees. The increase in tuition fees will be partially offset by that tax assistance.

■ Improving university performance

Partnership agreements between the government and universities will ensure that the additional revenues translate into improved performance.

Under a six-year predictable financial framework, universities will be subject to the utmost transparency in reporting.

Universities will be required to meet pre-established performance targets regarding the quality of training, student services, the graduation rate and the intensification of their research activities.

Universities must also meet performance targets respecting sound management and repayment of their operating deficits.

> To tie the additional government contribution to these objectives, I am announcing the creation of the Fonds pour l'excellence et la performance universitaires, which will receive an annual amount of $160 million as of 2016-2017.

■ University veterinary hospital centre, a unique institution

The Université de Montréal's faculty of veterinary medicine is the only such faculty in Québec, one of five in Canada and the only French-language school of veterinary medicine in North America. It has trained a large number of the more than 2 000 veterinarians practising in Québec. Through its university veterinary hospital centre, it plays a crucial role in maintaining animal health, public health and the prosperity of Québec's agrifood sector. It is also a key element of the Technopole agroalimentaire de Saint-Hyacinthe.

> I am announcing the allocation of additional funding of $2.8 million in 2011-2012 and $3.5 million per year thereafter to the university veterinary hospital centre.

This funding will enable the institution to absorb its operating deficit, ensure the quality of its vocational training and support its growth.

BANKING ON THE PARTICIPATION OF EVERYONE

In the next five years, the Québec labour market will have to fill 740 000 jobs. Most of those jobs will be left vacant by Quebecers who retire. We must do everything we can to fill the jobs, whether it be through tailored, quality academic training or through incentives to extend the working life of experienced workers.

People who retire today are healthier and in better shape than previous generations. If conditions were favourable, many of them would like to stay in the labour market longer.

❑ Taking advantage of the skills of experienced workers

In the last budget, we announced the creation of the Commission nationale sur la participation au marché du travail des travailleuses et travailleurs expérimentés. Chaired by Gilles Demers, the Commission must propose strategies to the government that will increase the participation of experienced workers in the labour market. Its final report is expected before the end of the year. The report will be an opportunity for deep reflection on the changing linkage between the career cycle and life cycle.

However, we can take action now to motivate experienced workers to stay on the job.

> I am announcing the gradual implementation of a tax credit for experienced workers 65 or over, as of January 1, 2012.

The credit will apply to the portion of work income of $10 000 that exceeds the first $5 000 in annual earnings. It will benefit more than 100 000 workers. When fully implemented, it will represent a cost of $120 million to the government. Workers will recover an amount of up to $1 504 a year. The introduction of this new tax benefit follows through on the Premier's commitment in his inaugural address.

The know-how of experienced workers will make a noteworthy contribution to economic growth in the years to come.

❑ Ensuring an adequate level of retirement income

Although we wish to encourage experienced workers to remain in the labour market, they are nonetheless entitled to a well-deserved retirement.

Quebecers have one of the top-performing retirement income systems in the world. In the past 30 years, the low-income rate of persons 65 or over in Québec has fallen from 33% to 9%.

Based on compulsory and voluntary plans, the retirement income system offers Quebecers great flexibility.

Despite its strengths, the Québec retirement system is faced with challenges. On one hand, the sustainability of the Québec Pension Plan must be ensured. On the other, Quebecers must be encouraged to save more in order to ensure they have a suitable income when they retire.

■ Long-term funding of the Québec Pension Plan

The Québec Pension Plan (QPP) has existed since 1966. A fixture of our traditions for 45 years now, this universal, compulsory and contributory system ensures workers a basic income when they leave the labour market. The contributions are collective savings, not a tax.

Over the years, three factors have put pressure on the viability of the plan.

First of all, a longer life expectancy. In 1966, a 65-year-old man in Québec had an average life expectancy of 78. Today, his life expectancy is 83. In 2020, it will be 85. Retirees in 2020 will have seven more years in retirement than their 1966 counterparts.

Second, Quebecers today retire earlier than before.

Third, the QPP had lower returns during the recent financial crisis.

These three factors are not unique to Québec. Retirement plans everywhere are under financial strain. Several countries, in particular Europe, have raised the minimum retirement age in response to the situation. We have not reached that point yet in Québec, but we must intervene to ensure the sustainability of the QPP.

Out of a concern for intergenerational fairness, workers must save more. Contribution increases are necessary to guarantee the long-term funding of the Québec Pension Plan. The increases will make it possible to maintain the standard of living of future retirees and limit the impact of population aging on future generations.

> I am announcing that, as of January 1, 2012, the Québec Pension Plan contribution rate will be raised by 0.15 percentage points a year over six years.

If the next actuarial valuations conclude that there has been an improvement in the funding of the plan, the increases in the contributions will be adjusted downward.

The long-term stability of the plan must also be ensured.

> I am announcing the implementation of an automatic contribution rate adjustment mechanism that will apply as of 2018.

The government may, however, suspend the adjustment if it deems it appropriate to do so, and propose alternative measures.

The retirement age has a decisive impact on the costs of the plan. Workers can choose to receive benefits as of 60 years of age or, on the contrary, postpone that time to age 70. These choices result, respectively, in reductions and increases in the monthly pension.

> I am announcing that, as of January 1, 2013, the monthly increase in pensions applied for after age 65 will rise from 0.5% to 0.7%.

These enhancements are aimed at encouraging experienced workers to remain in the labour market.

> In the same spirit, I am announcing that, as of January 1, 2014, the monthly reduction in Québec Pension Plan benefits applied for before age 65 will gradually rise from 0.5% to 0.6% over three years.

That adjustment will be proportional to the amount of the pension, in order to protect low-income workers.

With these last changes, the adjustment factors will be similar to those applicable under the Canada Pension Plan.

To follow up the public consultation held on the Québec Pension Plan in 2009, the Minister of Employment and Social Solidarity will soon announce other measures, in particular the elimination of the requirement to have stopped working in order to receive a pension under the Québec Pension Plan starting at age 60, and the increase in the amount of the orphan's pension.

■ A new tool to encourage people to save: voluntary retirement savings plans

The other concern regarding retirement is to ensure that everyone, once they retire, has an adequate income.

The Québec Pension Plan is a basic plan. It ensures a minimum income. If Quebecers wish to maintain their standard of living in retirement, they must save more. Everyone is responsible for the financial resources they have at their disposal on leaving the labour market.

This issue concerns first and foremost middle-class Quebecers who do not have group plans through their employer. They can count only on the public plan and on their personal RRSP or non-RRSP resources. We will put at their disposal a new instrument making it easier for them to save for their retirement.

> I am announcing that the government will make legislative and regulatory amendments to enable the development of new voluntary retirement savings plans.

These plans, which the federal government calls Pooled Registered Pension Plans, or PRPPs, will be managed collectively by financial institutions, such as insurance companies. They will be accessible to everyone and transferable. Every employer will be required to offer such a plan without, however, being obliged to contribute to it. Employees who do not participate in a group plan will be registered automatically, but will be allowed to opt out on a voluntary basis. Every Quebecer who has work income, including self-employed workers, will soon have access to an individual retirement savings plan administered collectively at little cost.

The Québec government will continue its work in collaboration with the federal government and the other Canadian provinces to develop a harmonized framework. These provisions will enable large-scale plans to be developed, so as to reduce management costs. The harmonized framework will also facilitate labour mobility.

I hope that the federal government will announce, as of its March 22 budget, the tax legislation amendments necessary to implement these new plans.

Consultations are planned during the year to ensure that the application rules in Québec meet the needs of Quebecers.

3. SEIZING THE OPPORTUNITIES

Our economic future is tied to our desire and our ability to seize opportunities. Changes in the global economy represent challenges and, especially, new opportunities.

In this regard, it is important to better support exports, stimulate entrepreneurship, increase the presence of digital technologies in the economy and consolidate our public infrastructure, all factors in productivity.

DEVELOP AND DIVERSIFY EXPORT MARKETS

First, Québec exports. They represent over 40% of our GDP, making them one of the main drivers of our economy. The United States and the rest of Canada are our top trading partners.

However, Québec must strive to take advantage of the opportunities in emerging economies, particularly the BRIC countries, namely, Brazil, Russia, India and China.

Our quality work force and our low-carbon footprint products create the value added increasingly sought in export markets. Whether it is on a Casavant organ or a CAE flight simulator, the "Fabriqué au Québec" label garners appreciation around the world. We are making sure that that is increasingly so, and that the label becomes an emblem of our success and pride.

> I am announcing the creation of Exportation Québec and the exports program.

The exports program combines the export assistance currently offered by the Ministère du Développement économique, de l'Innovation et de l'Exportation. The budget envelope for export support will more than double—a $40 million increase over the next three years. Through this initiative, businesses seeking to export will have access to a more flexible, more effective assistance tool.

Exportation Québec will be the single gateway to the services for Québec exporters offered by the Ministère du Développement économique, de l'Innovation et de l'Exportation. This unit will use the additional sums allocated to the exports program to, in particular, increase Québec's international presence. It will be mandated to facilitate access to government assistance measures, create business opportunities and increase Québec's presence at trade events.

Considering the growing importance of the BRIC countries in world trade, we will open a new Québec office in Russia and bolster Québec's representation in Brazil, India and China.

ENCOURAGE ENTREPRENEURSHIP AND SUCCESSION

At the economic meeting held in Lévis in January 2010, the Premier entrusted the Minister of Economic Development, Innovation and Export Trade and myself with the mandate to create conditions favourable to entrepreneurship.

Québec's economic performance relies in large part on the vibrancy of entrepreneurship and succession. Québec must focus on experienced entrepreneurs as well as young people with new ideas and business projects.

We are going to foster creativity, leadership and a flair for risk-taking so that more Quebecers go into business. New businesses promote employment, innovation and economic vitality. As the Premier said in his inaugural address, "Québec also has to make it possible for Quebecers' good ideas to translate into sound businesses."

The needs of businesses change over their life cycle. In Québec, sound businesses have adequate access to venture capital, bank financing and equity financing to support their growth. However, there are two phases in their life cycle that would benefit from reinforcement. These are seeding and succession.

❑ Assisting new entrepreneurs

To go into business, new entrepreneurs need capital that is hard to come by. It sometimes takes more than family and friends to come up with the money they need.

So-called angel investors are key players in the seeding and startup of businesses. They come in very early on, before venture capital specialists. They detect promising projects and contribute to their success by investing their funds, but also by mentoring young entrepreneurs. Although angel investors are well established in the United States, they are less active here. Development of this type of support must be stimulated.

I am announcing the creation of the Capital Anges Québec fund.

A $20-million investment will be made by the government through Investissement Québec. That investment will be augmented by a total of $10 million from angel investors. The total amount available for businesses will thus be $30 million.

The Capital Anges Québec fund will enable investments in seeding and startup businesses, primarily in the information technology and industrial technology sectors.

❑ Ensure entrepreneurial succession

At the other end of a business's life cycle is the issue of succession. Entrepreneurs invest money, time and effort in their businesses. The time inevitably comes when they have to pass the torch.

The issue of entrepreneurial succession is currently cause for concern in Québec. Almost 55 000 entrepreneurs are expected to retire by 2018.

Support must be given to young people willing and able to take over from them.

> I am announcing the creation of the Relève Québec fund, which will have $50 million in funding.

The Relève Québec fund will offer loans at attractive conditions to Québec entrepreneurs who succeed business owners in a business transfer, in order to finance part of their initial investment.

Several partners will participate in financing the fund. The government's contribution, which will be entrusted to Investissement Québec, will be $20 million. Capitalization will be completed by contributions of $10 million each from the Fonds de solidarité FTQ, Capital régional et coopératif Desjardins and Fondaction.

Also to facilitate succession, we will raise the capital limit of Capital régional et coopératif Desjardins from $1 billion to $1.25 billion, so that it can invest more in Québec SMEs. We will add $10 million to the envelope made available to local investment funds.

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That is an initial series of actions intended to stimulate the entrepreneurial fibre of Quebecers. My colleague, the Minister of Economic Development, Innovation and Export Trade, will soon unveil the entrepreneurship strategy for which he conducted consultations throughout Québec in recent months.

PURSUING QUÉBEC'S DIGITAL SHIFT

Québec is on the right path in terms of productivity. Progress has been made, but we must still do better. We must bank, for example, on university education, which is among the major commitments of this budget.

New technologies, such as information technologies, are another decisive factor in boosting productivity.

In recent years, the use of digital technologies has skyrocketed. Several spheres of activity have been affected by these innovations, including health and education.

Optimal growth in the performance of Québec's economy and the competitiveness of Québec businesses is impossible without taking this new reality into account and the immense possibilities it holds. However, it is highly likely that, in a few years, the current infrastructure in Québec will no longer be able to provide the required level and quality of service.

Access to high-speed Internet services for every citizen, community and business represents a challenge that Québec must meet if it is to successfully complete its digital shift through completion of this exceptional infrastructure for the transmission and exchange of knowledge and services.

> I am announcing that Québec will allocate $900 million over 10 years to implement a digital economy strategy and increase the capacity of the current infrastructure while expanding the network.

The objective of the strategy will be to boost the capacity of individuals and businesses to take full advantage of the opportunities offered by digital technologies. Its priority will be to ensure affordable access to high-speed service throughout Québec by 2020.

The strategy will also contribute to innovation in, and marketing of, digital products created in Québec.

My colleague, the Chair of the Conseil du trésor, will spell out the details of the digital economy strategy at a later date.

CONSOLIDATING MONTRÉAL'S ROLE IN DERIVATIVES

The financial sector is of major importance to the Québec economy, especially for our largest city.

The Montréal Exchange makes a significant contribution to the vitality of the sector. It has become a leader in the derivatives market. Its merger in 2008 with the Toronto Stock Exchange to form TMX Group could have weakened its leadership. On the contrary, it has since strengthened its advantageous derivatives position in Canada.

Recently, another planned merger was announced, that of TMX Group with the London Stock Exchange. If the proposed transaction goes through, it will be part of a global trend to consolidate stock exchanges. The transaction raises major stakes for the Québec economy.

In the last budget, we announced our support for the creation of a cluster in the financial services industry. Finance Montréal, la grappe financière du Québec was formed last fall. It immediately made derivatives development a priority area of intervention.

> I am announcing the creation of the Institut de la finance structurée et des instruments dérivés de Montréal.

Under the leadership of HEC Montréal, and in collaboration with Finance Montréal, the Autorité des marchés financiers, the Ministère des Finances and the university community, this institute will consolidate Montréal's advantageous place in the derivatives market. It will serve as a training centre and university research centre in structured derivatives. It will also contribute to Montréal's reputation as a financial centre.

With the contribution of the various partners, the institute will receive investments totalling $15 million over 10 years.

Moreover, the Montréal Exchange is presently in a very good position to take advantage of a major emerging business opportunity: over-the-counter derivatives clearing, a market almost ten times larger than its current market.

> I am announcing the creation of a working group on over-the-counter derivatives clearing. It will be mandated to establish the conditions necessary for the establishment of a possible Canadian over-the-counter derivatives clearing house in Montréal.

The group will be composed of representatives from Finance Montréal, the Autorité des marchés financiers, the Montréal Exchange and the Ministère des Finances. The group will report to me in summer 2011.

ADEQUATE FUNDING FOR OUR PUBLIC INFRASTRUCTURE

Mr. President, the road network, waterways, ports, airports and water supply systems—the so-called public capital—are factors in productivity and quality of life. When their quality deteriorates, it does not go unnoticed.

In Jean Lesage's time, Québec made major public investments at a time when the government had little debt and significant financial leeway.

But the public capital stock-to-real GDP ratio has since dropped substantially. After remaining at 35% of real GDP throughout the 1960s, the ratio fell to a low of 22.5% in 2002. The same situation occurred in Canada.

Our Québec Infrastructures Plan launched the process to make up ground. In 2018, the infrastructure stock will return to the early 1980s ratio of approximately 30%. This will increase Québec's growth potential and the quality of life of Quebecers.

Now that the economic recovery is entrenched, we must continue to control the public debt. It is therefore appropriate to begin transitioning from catch-up mode to the appropriate cruising speed. This will enable us to achieve our debt objectives.

> I am announcing that, as of 2012-2013, the government will gradually reduce its infrastructure investments to an annual level of 1.7% of GDP in 2021-2022.

This pace will ensure adequate growth of the public capital stock, compatible with economic growth and wealth creation, while allowing the major projects that are under way to be completed, investments to maintain assets, and the maintenance deficit to be eliminated in 12 years.

4. CONSOLIDATING OUR SOLIDARITY TOOLS

Québec is a society in which human values are important. We never stop trying to improve the quality of life of Quebecers, particularly that of families and seniors, and fight poverty.

That solidarity extends to the generations that will come after us. The Québec government is a world leader in environmental protection and sustainable development. We are continuing to consolidate that position, by pursuing the implementation of innovative measures.

Despite the current budgetary difficulties, it is important to continue our efforts. We do so within our means.

❑ Ensuring stable funding for health

Since the introduction of hospital insurance 50 years ago, our health-care system has become the expression of our solidarity and our social commitment.

In the 2010-2011 Budget, we undertook to ensure stable funding for the health-care system in return for performance initiatives from the network, because there is always room for improvement.

With that in mind, my colleague, the Minister of Health and Social Services, tabled the first edition of the health accounts last month. The document sheds light on the health-care system that will inform the debate.

The implementation of the health contribution, the revenues from which are deposited in the Fund to Finance Health and Social Services Institutions, ensures annual 5% funding growth for the health-care system until 2013-2014.

The fund's envelope of $575 million for 2011-2012 supports actions that improve access to surgery, hospital performance and the deployment of family medicine groups.

The fund will enable the implementation of the seniors investment plan, with a view to providing seniors with integrated home support services and improving their quality of life.

SUPPORTING FAMILIES AND SENIORS

❑ Enhancement of the Québec family policy

In the early 1960s, the Québec government paid allowances for the first time to Québec parents. Since then, the government has gradually developed a series of measures making Québec a family policy leader in North America.

Today, we invest considerable sums to support families. We allocated $6.7 billion in family support during the fiscal year drawing to a close. That is 63% more than in 2003. It is unique in Canada.

These investments have borne fruit: the fertility rate of Québec women rose 16% from 2002 to 2009. Today, it has reached a level not seen in over 30 years, whereas women are more present in the labour market.

Our family policies are having the desired impact on families and the economy. This justifies continuing government efforts to support families.

> I am announcing that, as of 2012-2013, we will gradually create 15 000 new reduced-contribution daycare spaces.

These new spaces will be created at a pace in keeping with the government's financial framework. They will be fully in place by 2015-2016, entailing a total investment of $558 million. If the situation allows, the schedule for creating the new daycare spaces will be accelerated. Ultimately, they will raise the number of reduced-contribution spaces to 235 000.

My colleague, the Minister of Families, will explore with her partners various avenues for accelerating the creation of the new spaces. She will study new, less costly solutions and optimize existing resources. The government undertakes to reinvest the savings obtained in developing quality daycare spaces more rapidly.

Today's families are different from those of 50 years ago. In the vast majority of cases, both parents work, and there are more single-parent families. Parents who work full time often feel they do not have enough time to do all they have to do.

The mission of family community organizations is to value the role of parents. They offer parents various awareness and support activities; they assist them in finding solutions to their problems. Every year, some 270 organizations reach over 90 000 Québec families.

> I am announcing additional investments of $1 million a year over three years to further encourage the work of family community organizations.

As of this year, these additional amounts will provide funding particularly for organizations that are currently recognized.

❑ Meeting the local needs of seniors

We have a duty of respect toward our seniors. We listen to their needs. Society's burgeoning seniors population requires adaptations.

Since the 2007-2008 Budget, the government has invested a total of $2.2 billion to increase the disposable income of seniors, enable them to stay in their home and better support their informal caregivers. We must adapt our action so that a longer life also means a good and fulfilling one.

■ Offering respite to informal caregivers

Given population aging, the contribution of informal caregivers will grow in importance. Thanks to these people, Quebecers with health problems or significant limitations can stay in their home longer.

In addition to providing care to a loved one day after day, informal caregivers must reconcile their caregiving duties with their job and their own health needs. Caregivers need help.

Existing measures recognize the devotion of caregivers and their need for respite. However, the spouses of care recipients are not entitled to the measures; nor are caregivers who live in the care recipient's home. The respite needs of these caregivers are no less real for all that.

> I am announcing that the refundable tax credit for informal caregivers will be broadened to include informal caregivers of a spouse 70 or over with a physical or mental impairment, as well as caregivers who live in the care recipient's home.

This enhancement will benefit over 17 000 caregivers. It represents a new investment of $11.5 million in 2011.

■ Aging at home, aging actively

To facilitate the active aging of seniors, we introduced the Age-Friendly Municipalities program.

The program provides financial support for urban infrastructure or development projects meeting the needs of seniors. It helps them to age actively, for example by offering a volunteer transportation service or putting in pedestrian crosswalks adapted to various types of physical limitations.

The 2009-2010 Budget provided for investments of $1 million that enabled nearly 180 municipalities to join the initiative. It is a wonderful idea that must gain ground.

> I am announcing that, for the next five years, we are doubling the amount allocated to the Age-Friendly Municipalities program.

Seniors are sometimes isolated and therefore vulnerable. It is hard for some to inquire about government programs and services intended for them.

Information hubs for seniors were set up to assist them. Volunteers go to various places to meet with seniors and offer them a free, personalized service. This service should be deployed in all regions.

> To that end, I am announcing that, from 2011-2012 to 2013-2014, we will allocate $2.1 million to information hubs for seniors.

The local needs of seniors are also met by bringing the generations closer together. The Maisons des grands-parents are community organizations that foster rapprochements and combat solitude and isolation.

They value the role of seniors and young people through activities such as homework assistance and collective kitchens. There are presently six Maisons des grands-parents organizations in Québec. Over the next three years, we will allocate nearly $1 million more to these organizations.

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At some point in their lives, some seniors have to go into residential and long-term care centres (CHSLDs). If they are renting, they have to leave where they are living and pay three months' rent after terminating their lease, in addition to their new residential care fees. That can be costly.

A deduction of $325 a month is already granted to low-income seniors admitted to a CHSLD. That amount helps them defray transitional housing costs. But the average rent is $650 a month.

I am announcing that, as of July 1, 2011, the deduction will be raised to $650 a month for seniors, double what it is now.

The investments for seniors in this budget, including the tax credit for experienced workers and the seniors investment plan, will total almost $1.3 billion over five years.

CONTINUING THE FIGHT AGAINST POVERTY

❑ Increase the supply of social and community housing

Since 2003, the government has announced the construction of 17 000 social, community and affordable housing units, raising their number to 30 000. We have announced investments totalling more than $1.7 billion.

More families in need can now obtain suitable, functional housing. We can be proud of the results achieved, but we do not intend to stop there

I am announcing that construction of 2 000 additional social and community housing units is provided for in the 2011-2012 Budget, under the AccèsLogis Québec program.

These units will require investments of $140 million. They do not include the units to be announced under the Northern Plan.

Without making an announcement today for subsequent years, we intend to continue the social and community housing construction program. Further to a number of comments, we believe that the financial engineering of investments in social and community housing can be improved.

In collaboration with the Ministère des Finances, the Société d'habitation du Québec will examine new approaches that could lead to the improvement of funding for social housing. That work will be done in consultation with partners in the sector, particularly social economy businesses.

The objective is to ensure that our financial resources enable more social and community housing units to be built.

■ Enhancement of the Shelter Allowance Program

Despite the increasing number of available social and community housing units, rent often accounts for a large part of the budget of low-income families. Households headed by a person 55 or over can obtain financial assistance under the Shelter Allowance Program. Annually, some 110 000 households receive an allowance.

> I am announcing that the eligibility age for the program will be lowered from 55 to 50 over five years for single people and couples without children.

This enhancement will take effect on October 1, 2011. When fully implemented, it will represent an additional expense of $11.4 million a year. Roughly 17 000 additional households will be eligible for the Shelter Allowance Program.

❑ Keeping social economy businesses accessible

Social economy businesses have become one of Québec's trademarks. They provide domestic help services and work for the well-being of their communities.

Since 1997, low-income households and seniors have been able to take advantage of a financial assistance program for home support services. These services are offered by recognized social economy businesses. The program contributes to improving the quality of life of recipients and extending their self-sufficiency at home. These services are presently provided to 50 000 users of recognized social economy businesses.

> I am announcing that the program will receive an additional $4 million a year.

CHOOSING SUSTAINABLE DEVELOPMENT

Mr. President, solidarity extends to future generations. We are the stewards of their environment. Québec's leadership is recognized in that regard. It is our ambition to reduce Québec's greenhouse gas emissions by 20% below 1990 levels by 2020—the most ambitious reduction target in North America.

That vision plays out in the development of green technologies, in clean energy exports, in responsible natural resource development and in our determination to reduce our oil dependency.

In his inaugural address, the Premier set an ambitious objective: reduce the share of fossil fuels in Québec's energy mix from 38% to 32%.

❑ Accelerating the arrival of electric vehicles

Québec must continue to show leadership and focus on its assets, such as an available, competitively priced and reliable hydroelectric network. We now want to enable Quebecers to take advantage of their hydroelectric heritage for passenger transportation by plugging their vehicle into our dams, wind turbines and underwater generators.

The transportation sector accounts for 43% of our greenhouse gas emissions. Electric vehicles are a solution for reducing our emissions. Québec already offers an incentive to purchase these vehicles: the tax credit for the acquisition or leasing of a new green vehicle.

The credit is attractive, but buyers must wait months to receive it. Given the considerable sums involved, buyers must be able to receive the financial assistance more rapidly.

> I am announcing the replacement of the refundable tax credit for green vehicles by a purchase or leasing rebate program.

Under the program, the acquisition of a plug-in electric or hybrid electric vehicle will give entitlement to a rebate of up to $8 000 as of 2012.

> I am also announcing that the purchase rebate program will include a component relative to the installation of home charging stations.

A total of $50 million, drawn from the Green Fund, will go to these two initiatives over the next five years.

My colleague, the Deputy Premier and Minister of Natural Resources and Wildlife, will soon unveil the 2011-2020 electric vehicle action plan, which includes the above measures.

❑ Developing the Route verte

Opened in 1995, the Route verte covers almost 4 700 kilometres, making it the longest bikeway in North America. The Route verte, which grew out of strong mobilization of regional partners, has become a recognized tourist attraction. National Geographic ranks it among the world's 10 most beautiful bikeways.

> I am announcing that a new program will be created to develop linkages between urban biking networks and those of the Route verte. In addition, the financial assistance program for the maintenance of the Route verte will be enhanced.

To that end, additional funding of $20 million over five years will be allocated to the Ministère des Transports.

❑ Promoting fuel ethanol development

In its 2006-2015 energy strategy, the government announced its objective to see ethanol account for 5% of all gasoline sales in 2012.

> I am announcing the implementation, until 2018, of a new refundable tax credit applicable to second-generation cellulosic ethanol production from industrial and household residual materials.

At the same time, and until 2015, we are facilitating the shift to the use of raw materials other than kernel corn by first-generation ethanol producers. These two initiatives represent additional support of up to $7 million for Québec's ethanol production industry.

❑ Learning more about groundwater

The government undertook a 15-year assessment of Québec's groundwater.

> I am announcing an additional investment of $5 million over three years to continue and improve the acquisition of knowledge of groundwater.

5. FAIRNESS FOR TAXPAYERS, INVESTORS, THE PROVINCES

Mr. President, I will now move on to three issues with fairness as their common denominator: fairness between taxpayers, fairness for investors and fairness between the Canadian provinces.

STEPPING UP THE FIGHT AGAINST TAX EVASION

❑ Creation of the Agence du revenu on April 1, 2011

The government made the fight against tax evasion one of the main planks of its plan to restore fiscal balance. Collecting all the government's revenues is not only key to restoring fiscal balance, it is also a matter of fairness between taxpayers. They rightly demand that everyone pay what they owe.

The plan's tax recovery objective for 2013-2014 is $1.2 billion.

The objective of $320 million in 2010-2011 was already highly ambitious. But we are on track to achieve it.

To do better, I announced last year the creation of the Agence du revenu du Québec. The agency will come into existence on April 1. It will be funded by the revenues it collects and will have all the management flexibility needed to achieve the objectives set for it.

The agency will be subject to a performance agreement. As Minister of Revenue, I will be accountable to the National Assembly for the agreement.

We are already justified in our optimism about its effectiveness.

> I am announcing that the annual tax recovery targets will be raised by $150 million this year and $200 million subsequently, bringing the objective for 2013-2014 to $1.4 billion.

❑ New initiatives for meeting targets

In continuing efforts to meet the targets, not only will we intensify the measures in place, but we will take action in new sectors.

> I am announcing the allocation of $5 million to fund the work of investigators assigned to the fight against contraband tobacco and unreported work.

We will also continue our efforts to more effectively combat unreported work and tax evasion in the construction sector. Our businesses must operate in a climate of healthy competition. We will strengthen information sharing and collaboration among partners directly involved in the fight. We will increase sanctions and penalties.

Since June 1, 2010, government departments and public bodies have required that suppliers bidding on a public contract worth $25 000 or more provide a certificate issued by the Ministère du Revenu.

> I am announcing that the legislative provisions governing the awarding of public contracts worth more than $25 000 will be broadened to include bidders from across the public sector, including government corporations and municipalities.
>
> I am also announcing that subcontractors of entrepreneurs having obtained public construction contracts covered by the legislative provisions will also be required to provide a tax certificate.

SUPPORT FOR THE MANDATES OF THE AUTORITÉ DES MARCHÉS FINANCIERS

One of the goals of financial market regulation is to ensure that Québec investors are treated fairly by financial institutions. In the context of the recent financial crisis, the Autorité des marchés financiers (AMF) considerably increased its regulatory and oversight activities. It must actively participate in better harmonization of Canadian and international regulations.

The AMF must also manage a large number of investigation cases.

> I am announcing that the AMF will be authorized to increase its staff as of 2011-2012 in order to step up its intervention.

These new resources will enable the AMF to bolster protection of Québec investors and ensure that Québec's regulatory and oversight framework complies with the highest international standards.

SETTLING ISSUES WITH THE FEDERAL GOVERNMENT

Mr. President, there is another area in which fairness must prevail, namely, financial relations between the federal government and the provinces.

For example, 20 years ago, Québec decided to join the federal government in reforming sales taxes in Canada.

Québec set the example. And yet, it is currently receiving the same treatment from the federal government as those provinces that, 20 years later, have still done nothing to harmonize their sales tax with the GST. This situation is unfair and must be rectified.

The agreement in principle I sent my federal colleague on February 22 would lead to a rapid resolution of this file.

Furthermore, the major federal transfers to the provinces will expire in 2014. The discussions concerning the renewal of these transfers raise important issues.

Our government will continue to defend the interests of Quebecers in those discussions, as we have done successfully since 2003.

For more information on these matters, I invite the members of this assembly, and the population at large, to read the document *Update on Federal Transfers*, which is part of the budget documents I am tabling today.

6. CELEBRATING QUÉBEC CULTURE

I will now take up the subject of culture, which is dear to my heart and a priority for all members of the government, regardless of their areas of responsibility.

Fifty years ago this year, Premier Jean Lesage created the Ministère des Affaires culturelles.

Since that time, the department has played a decisive role in the growth and affirmation of Québec culture. Throughout the year, the government will organize a number of events to mark this important anniversary.

As part of the celebrations, Place des Arts inaugurated last month the Espace culturel Georges-Émile-Lapalme, in honour of the man who was the first person to head the Ministère des Affaires culturelles du Québec and the MNA for Montréal-Outremont for many years.

❑ Bringing Québec culture to the world stage

Our culture has made a name for itself in the past 50 years. It is being brought to a world audience.

From Denys Arcand to Denis Villeneuve, Michel Tremblay to Robert Lepage or Gilles Maheu, Édouard Lock to Marie Chouinard, Yves Beauchemin to Arlette Cousture, Robert Charlebois to Ariane Moffat, Leonard Cohen to Luc Plamondon, Céline Dion to Cœur de Pirate, Simple Plan to Arcade Fire, Cirque du Soleil to Cirque Éloise, the OSM to Yannick Nézet-Séguin . . . there are so many Québec artists who have left their mark on the world stage, it is impossible to name them all. That is an extraordinary indication of the vitality of Québec culture.

Our artists are ambassadors for our culture and Québec around the world. We are going to continue to support Québec artists on the world stage.

> I am announcing $3 million more over three years for the Conseil des arts et des lettres du Québec in order to support arts and letters diffusion outside Québec.

Developing international markets is a promising business opportunity for our cultural businesses. However, mounting international projects requires major investments.

I am announcing the creation of the Capital Culture Québec fund, a venture capital fund of $100 million for international cultural projects, in partnership with the Fonds de solidarité FTQ.

The fund will invest in the projects of Québec cultural businesses seeking to develop international markets. The investments will be made with an eye to profitability. SODEC will be the government's mandatary.

❑ Encouraging the digital shift

Culture is an area in which digital technology is becoming a must. The cultural sector must embrace this change. To that end, we are implementing several measures.

Digital technologies create wonderful opportunities for the cultural sector. They give creators unprecedented access to the whole world. But they are a major challenge. Preparations must be made.

I am announcing that we will allocate $2.4 million over three years to support the digitization of independent movie theatres with 10 screens or less, in small localities.

I am also announcing the allocation of a total $6.6 million over three years to support the digital shift in the music and variety sectors, as well as arts and letters and book publishing, and to support the Institut national de l'image et du son.

To support the cultural industry and its creators, the Minister of Culture, Communications and the Status of Women has mandated SODEC and the Conseil des arts et des lettres du Québec to develop proposals concerning the impact of digital technologies on arts and letters. The final report is expected in 2011.

❑ Supporting our museums

Our museums are vibrant and dynamic. A never-ending source of discovery, they must be given the support necessary to their development.

The Montreal Museum of Fine Arts brings culture and tourism in Montréal to a wider audience. A number of the exhibitions it designs and mounts tour abroad afterward. Construction recently began on a new pavilion to house Canadian art, to be called the Claire and Marc Bourgie Pavilion, in recognition of their family's very generous contribution to its funding.

I am announcing an additional contribution of $6.4 million to the Montreal Museum of Fine Arts in order to complete construction on the new pavilion.

Despite the example of the Bourgie family and other families and businesses, Québec's patronage culture is not as developed as in the rest of North America. We must support the development of that culture. We will examine the possibility of introducing tax incentives designed to further promote cultural patronage and philanthropy, in particular through donations and real estate bequests.

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All the measures contained in this budget are explained in detail in the Budget Plan, an integral part of this budget.

CONCLUSION

Mr. President:

This budget is the budget of Quebecers who recognize the challenges and constraints, and transcend them in order to build their future rather than waiting for the future to happen and letting it dictate their lives.

Québec is one of the world's rich, high-performing nations. We forget that all too easily. We weathered the crisis better than the other developed countries, including our closest partners.

Today, Québec is in the right place at the right time to position itself advantageously in the new global economic order.

We have a vast territory rich in resources. We will move on implementing the Northern Plan, while respecting the environment and northern communities. We will make sure our natural resources are developed responsibly. All Quebecers, those in the north and those in the south, those of today and those of tomorrow, will derive their fair share of the benefits.

What is more, Quebecers themselves will be the artisans of Québec's success. Our population is educated and skilled. It must become more so. It is creative and innovative. Our economic growth and human fulfilment depend on those qualities. Let's develop them.

This skill, this creativity, let's maximize their benefits. Our experienced workers are an incomparable asset. Let's motivate them to stay in the labour market.

Let's support our exporters in penetrating new markets. Instead of formidable competitors, let's make emerging countries our customers and partners.

Let's stimulate the entrepreneurial fibre of Quebecers. Let's continue to encourage investment in productivity, in particular by accentuating the implementation of digital technologies.

At the same time, let's continue to support the vulnerable members of our society. Staying within our means, let's develop local services, support families, seniors and disadvantaged people.

Let's be responsible in our role as stewards of the environment we will be leaving to our descendents.

Let's support our artists and creators who, here and around the world, express both our difference and our pride.

Those, Mr. President, are the challenges this budget holds for us. Let's rise up to meet them with confidence and enthusiasm.

For Québec has everything to succeed.

We are in the right place at the right time.

In closing, I propose, Mr. President, that the National Assembly approve the government's budgetary policy.

Thank you.

Québec government
Summary of consolidated budgetary transactions
2010-2011 fiscal year
(millions of dollars)

	Preliminary results
BUDGETARY REVENUE	
Own-source revenue	46 925
Federal transfers	15 451
Total	**62 376**
BUDGETARY EXPENDITURE	
Program spending	– 59 819
Debt service	– 6 934
Total	**– 66 753**
NET RESULTS OF CONSOLIDATED ENTITIES	1 209
Contingency reserve	– 300
DEFICIT	**– 3 468**
Deposits of dedicated revenues in the Generations Fund	– 732
BUDGETARY BALANCE WITHIN THE MEANING OF THE *BALANCED BUDGET ACT*	**– 4 200**

Québec government
Summary of consolidated budgetary transactions
Forecasts for 2011-2012
(millions of dollars)

BUDGETARY REVENUE	
Own-source revenue	50 336
Federal transfers	15 039
Total	**65 375**
BUDGETARY EXPENDITURE	
Program spending	– 61 284
Debt service	– 7 794
Total	**– 69 078**
NET RESULTS OF CONSOLIDATED ENTITIES	1 143
Contingency reserve	– 300
DEFICIT	**– 2 860**
Deposits of dedicated revenues in the Generations Fund	– 940
BUDGETARY BALANCE WITHIN THE MEANING OF THE *BALANCED BUDGET ACT*	**– 3 800**

Québec government
Budgetary revenue of the consolidated revenue fund
Forecasts for 2011-2012
(millions of dollars)

OWN-SOURCE REVENUE	
Income and property taxes	
Personal income tax	18 786
Health services fund	6 047
Corporate taxes	3 885
	28 718
Consumption taxes	
Sales	13 728
Tobacco	707
Alcoholic beverages	441
Other	21
	14 897
Duties and permits	
Natural resources	257
Other	267
	524
Miscellaneous	
Sales of goods and services	314
Interest	550
Fines, forfeitures and recoveries	543
	1 407
Revenue from government enterprises	
Hydro-Québec	2 575
Loto-Québec	1 246
Société des alcools du Québec	940
Other	29
	4 790
Total	**50 336**
FEDERAL TRANSFERS	
Equalization	7 639
Protection payment	545
Health transfers	4 516
Transfers for post-secondary education and other social programs	1 475
Other programs	864
Total	**15 039**
TOTAL BUDGETARY REVENUE	**65 375**

Québec government
Budgetary expenditure of the consolidated revenue fund
Forecasts for 2011-2012
(millions of dollars)

PROGRAM SPENDING	
Affaires municipales, Régions et Occupation du territoire	1 762.9
Agriculture, Pêcheries et Alimentation	1 068.4
Assemblée nationale	116.1
Conseil du trésor et Administration gouvernementale	1 004.4
Conseil exécutif	368.8
Culture, Communications et Condition féminine	677.9
Développement durable, Environnement et Parcs	204.0
Développement économique, Innovation et Exportation	890.1
Éducation, Loisir et Sport	15 541.1
Emploi et Solidarité sociale	4 255.9
Famille et Aînés	2 386.9
Finances (excluding debt service)	173.8
Immigration et Communautés culturelles	303.9
Justice	696.5
Personnes désignées par l'Assemblée nationale	77.5
Relations internationales	111.7
Ressources naturelles et Faune	546.5
Santé et Services sociaux	29 140.5
Sécurité publique	1 162.9
Tourisme	138.6
Transports	848.6
Travail	32.0
Anticipated lapsed appropriations	– 225.0
Total	**61 284.0**
DEBT SERVICE	
Direct debt service	5 007.0
Interest ascribed to retirement plans	2 804.0
Interest ascribed to employee future benefits	– 17.0
Total	**7 794.0**
TOTAL BUDGETARY EXPENDITURE	**69 078.0**

Québec government
Consolidated non-budgetary transactions
Forecasts for 2011-2012
(millions of dollars)

INVESTMENTS, LOANS AND ADVANCES	
Consolidated revenue fund	– 1 118
Consolidated entities	– 906
Total	**– 2 024**
CAPITAL EXPENDITURES	
Consolidated revenue fund	
Net investments	– 523
Amortizations	154
Subtotal	**– 369**
Consolidated entities	– 3 853
Total	**– 4 222**
RETIREMENT PLANS AND EMPLOYEE FUTURE BENEFITS	**2 720**
OTHER ACCOUNTS	
Consolidated revenue fund	– 730
Consolidated entities	– 418
Total	**– 1 148**
TOTAL CONSOLIDATED NON-BUDGETARY TRANSACTIONS	**– 4 674**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

Québec government
Consolidated financing transactions
Forecasts for 2011-2012
(millions of dollars)

CHANGE IN CASH POSITION	
Consolidated revenue fund	2 960
Consolidated entities	—
Total – Change in cash position	**2 960**
NET BORROWINGS	
Consolidated revenue fund	
New borrowings	9 355
Repayment of borrowings	– 6 728
Subtotal	**2 627**
Consolidated entities	
New borrowings	7 867
Repayment of borrowings	– 2 893
Subtotal	**4 974**
Total – Net borrowings	**7 601**
RETIREMENT PLANS SINKING FUND, OTHER RETIREMENT PLAN ASSETS AND FUNDS DEDICATED TO EMPLOYEE FUTURE BENEFITS	**– 2 087**
GENERATIONS FUND	**– 940**
TOTAL CONSOLIDATED FINANCING TRANSACTIONS	**7 534**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

Finances
Québec